

Docket No.: 02-0169
Bench Date: 05-07-03
Deadline: N/A

MEMORANDUM

TO: The Commission

FROM: Larry Jones, Administrative Law Judge

DATE: April 22, 2003

SUBJECT: Illinois Commerce Commission
On Its Own Motion
-VS-
Illinois Power Company ("IP")

Reconciliation of revenues collected under Coal Tar riders with prudent costs associated with coal tar clean-up expenditures.

STATUS: There are two contested issues, and a proposed order was issued. All exceptions to the proposed order, and replies thereto, have been filed.

RECOMMENDATION: Entry of the attached post-exceptions proposed order approving the proposed reconciliation for the year in question, subject to certain adjustments to recoverable expenditures.

This proceeding involves a reconciliation of rider revenues and insurance recoveries with costs incurred by IP in investigating and remediating IP's 25 former manufactured gas plants ("MGPs"), for the 2001 reconciliation period.

IP's witnesses described the investigation and remediation activities at each site for the reconciliation year, and the costs incurred in connection therewith. In 2001, the Company conducted remediation activities relating to the Belleville, Cairo, Carlinville, Centralia, Champaign, Danville, Decatur, East St. Louis, Granite City, Hillsboro, Monmouth and Litchfield sites.

IP witnesses also testified that the company's MGP investigation and remediation program is conducted pursuant to Illinois Environmental Protection Agency oversight and approval.

IP claims that recoverable Incremental Environmental Activity Costs incurred during 2001 were \$1,937,818. IP applied \$1,937,818 in insurance recoveries in payment of 2001 incremental costs. (IP Ex. 1.4)

As of December 31, 2001, the Company's cumulative MGP costs for all periods since the inception of the Riders, inclusive of carrying charges for prior reconciliation periods, were calculated by IP to be \$25,575,083.

According to IP Exhibit 1.4, as of December 31, 2001, cumulative recoveries from ratepayers since the inception of the Riders were \$10,472,282, and cumulative insurance recoveries applied to MGP costs were \$15,114,057, totaling \$25,586,339 in cumulative recoveries.

Based on its review, Staff proposes disallowances of two separate expenditures, totaling \$149,000, that IP included in its reconciliation for 2001. Since costs in 2001 were paid for with insurance recoveries held in trust, Staff recommended that IP be directed to reimburse the insurance trust for all disallowed costs. IP contests the two disallowances proposed by Staff. A discussion of the two disallowances proposed by Staff, one of which would be adopted in the attached draft order, is contained on pages 7 through 11 of the order.

As part of their analysis, Staff witnesses also reviewed the prudence of the costs incurred by IP for each of the reconciliation years. Among other things, they examined information obtained through data requests regarding the need for and reasonableness of IP's MGP remediation activities and expenditures. In performing this review, Staff applied the prudence standards enumerated in the Commission's Order of September 30, 1992 in Docket Nos. 91-0080 through 91-0095 at 78-81. Subject to the two adjustments mentioned above, Staff witnesses found no indication that the MGP remediation costs incurred by IP failed to meet those standards of prudence.

The attached draft order would approve the reconciliation for the calendar year in question, subject to the adjustments found appropriate therein.

LMJ/lw